

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	April 14, 2005)	
)	
GASCO DISTRIBUTION SYSTEM, INC.'S ACTUAL)	DOCKET NO.
COST ADJUSTMENT FILING FOR THE 12-)	04-00275
MONTH PERIOD ENDING JUNE 30, 2004			

**ORDER ADOPTING ACA AUDIT REPORT OF
TENNESSEE REGULATORY AUTHORITY'S ENERGY AND WATER SECTION OF THE
UTILITIES DIVISION**

This matter came before Chairman Pat Miller, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on January 10, 2005 for consideration of the Actual Cost Adjustment ("ACA") Audit Report (the "Report") of the Authority's Energy and Water Section of the Utilities Division (the "Staff"). The Report is the result of Staff's audit of Gasco Distribution Systems Inc.'s ("Gasco" or the "Company") annual deferred gas cost account filing for the year ended June 30, 2004 and Staff's review of the Company's three-year probation period ending July 1, 2004. The Report, attached hereto as Exhibit 1 and incorporated by this reference, contains the audit opinion of the Staff and the recommendations of the Staff to the Company.

Probation Review

Pursuant to an Order issued on August 24, 2001 in Docket No. 00-00998 adopting the *Revised Proposed Settlement Agreement*, Gasco was placed on probation for a period of three (3) years ending July 1, 2004 and required to pay a fine of \$12,500, of which \$5,000 was due on or before March 31, 2002. The remaining \$7,500 would be forgiven if Gasco complied with all TRA rules, directives and orders during its probationary period.

ACA Audit

The Company submitted its ACA filing on August 27, 2004, and the Staff completed its audit of the Company's filing on December 13, 2004. The Staff's audit revealed no material findings. The Report states the corrected balance in the Company's ACA account as of June 30, 2004 is positive \$144,077.63, which represents under-recovered (or under-collected) gas costs. The net balance is composed of an under-collection from Jellico customers of \$133,523.53 and an under-collection from Byrdstown/Fentress customers of \$10,554.10. According to the Staff, this large under-collection of gas costs during this audit period is due to the fact that Gasco did not file a Purchased Gas Adjustment ("PGA") with the TRA during this time. The Report states the Company is authorized, beginning with its February 2005 billing, to include an ACA adjustment factor of positive \$2.5506 (surcharge) per MCF in its gas rate for Jellico customers and a positive \$4.1716 (surcharge) per MCF for its Byrdstown/Fentress customers.

Gasco has filed a PGA effective in October 2004 which will greatly impact the recoveries of the current audit period. Taking into account the October 2004 PGA filing and the current ACA factors, Staff analyzed and projected the balance each month of the current year using historical purchase and sales volume and the weighted average cost of gas for the 12 months ended at June 30, 2004. Based on the analysis, the ending balance at June 30, 2005 will swing dramatically to the over-recovered side. Therefore, Staff recommends that Gasco delay the implementation of its new ACA factors to surcharge the balance at June 30, 2004 until February 2005 to off-set the over-recovery for the upcoming audit period. The new billing rate will remain in effect until the Staff's next audit is completed.

January 10, 2005 Authority Conference


On January 10, 2005, this matter came before the panel assigned to this docket for approval of the ACA audit for the year ended June 30, 2004 and to waive the \$7,500 remaining fine assessed by the August 24, 2001 Order. The Staff found that Gasco had met all the conditions in a timely manner and recommended forgiving the remaining fine. After consideration of the Report, the

voting panel unanimously approved and adopted the findings contained therein. The panel voted unanimously to request comments from the signatories to the August 17, 2001 revised settlement prior to forgiving the fine.

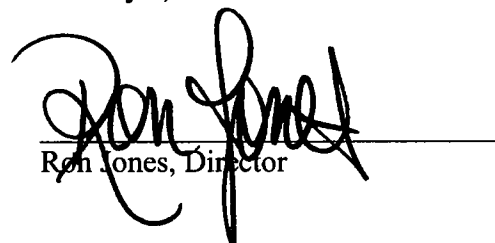
On January 20, 2005, a notice was issued seeking comments on waiving Gasco's remaining fine pursuant to the August 17, 2001 revised settlement agreement. Written comments were due January 27, 2005 and oral comments could be presented at the January 31, 2005 Authority Conference. No written or oral comments were received, therefore, at the January 31, 2005 Authority Conference the voting panel unanimously approved waiving the remaining \$7,500 fine.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Audit Report relative to Gasco Distribution Systems, Inc. relative to the year ended June 30, 2004, a copy of which is attached to this order as Exhibit 1, is approved and adopted, and the recommendations contained therein are incorporated in this Order as if fully rewritten herein;
2. The remaining fine of \$7,500 owed by Gasco pursuant to the Revised Settlement in Docket No. 00-00998 is waived; and
3. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Pat Miller, Chairman


Sara Kyle, Director


Ron Jones, Director

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

T.R.A. DOCKET ROOM

NASHVILLE, TENNESSEE

December 17, 2004

IN RE:

GASCO DISTRIBUTION SYSTEMS, INC.

ACTUAL COST ADJUSTMENT (ACA) AUDIT

)

)

) **Docket No. 04-00275**

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**NOTICE OF FILING BY THE ENERGY AND WATER SECTION OF THE
UTILITIES DIVISION OF THE TENNESSEE REGULATORY AUTHORITY**

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Energy and Water Section of the Utilities Division of the Tennessee Regulatory Authority gives notice of its filing of the Gasco Distribution Systems, Inc.'s ACA Audit Report in this docket and would respectfully state as follows:

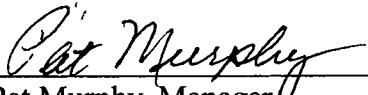
1. The present docket was opened by the Authority to hear matters arising out of the audit of Gasco Distribution Systems, Inc.'s (the "Company") ACA filing covering the period July 1, 2003 to June 30, 2004.
2. The Company's ACA filing was received on August 27, 2004, and the Staff completed its audit of same on December 13, 2004.
3. The Staff's audit revealed no material findings. The Report is attached hereto as Exhibit A and is fully incorporated herein by this reference.

EXHIBIT

1

5. The Energy and Water Section of the Utilities Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the Report and the recommendations contained therein.

Respectfully Submitted:



Pat Murphy, Manager
Energy and Water Section of the
Utilities Division of the
Tennessee Regulatory Authority

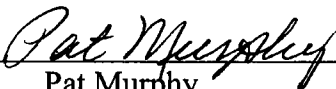
CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of December 2004, a true and exact copy of the foregoing has been either hand-delivered or delivered via U.S. Mail, postage pre-paid, to the following persons:

Pat Miller
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Mr. Fred Steele
President and Chief Executive Officer
Gasco Distribution Systems, Inc.
4435 East Pike
Zanesville, OH 43701
FAX (740) 454-7780

Mr. Henry Walker
Boult, Cummings, Conners & Berry, PLC
414 Union Street, Suite 1600
P.O. Box 198062
Nashville, TN 37219
FAX (615) 252-6363



Pat Murphy

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

GASCO DISTRIBUTIONS SYSTEMS, INC.

ACTUAL COST ADJUSTMENT

Docket # 04-00275

PREPARED BY

TENNESSEE REGULATORY AUTHORITY

ENERGY AND WATER DIVISION

DECEMBER 2004

COMPLIANCE AUDIT
GASCO DISTRIBUTIONS SYSTEMS, INC.

ACTUAL COST ADJUSTMENT

Docket # 04-00275

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I. INTRODUCTION

The subject of this audit is Gasco Distribution Systems Inc.'s ("Gasco" or the "Company") compliance with the Actual Cost Adjustment ("ACA") and Refund Adjustment ("RA") of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Regulatory Authority ("TRA" or the "Authority").¹ The objective of the audit was to determine whether the purchased gas adjustments, which are encompassed by the ACA, and approved by the TRA for the twelve (12) months ended June 30, 2004, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

The Staff's audit resulted in no material findings. For the current period under audit, the Company has accurately calculated its ending balances in the ACA account in both of its divisions. Therefore, Staff concludes that the Purchased Gas Adjustment mechanism as calculated in the Actual Cost Adjustment is working properly in accordance with TRA rules for Gasco Distribution Systems, Inc.

Probation Review:

As a result of the findings in Docket No. 00-00998, the Authority conducted a show-cause proceeding and issued an Order² on August 24, 2001, placing Gasco on probation for a three (3) year period ending July 1, 2004. The Order stated that the *Revised Settlement* presented by the parties was accepted and approved. The terms of the *Revised Settlement* provided for \$12,500 in fines against Gasco, of which \$5,000 was due and payable on or before March 31, 2002. The remainder of \$7,500 will be forgiven only if Gasco complies fully with TRA rules, directives, and orders during its probationary period.

Since the last Staff review, filing requirements for Gasco included an ACA filing, an annual report filing, and four (4) quarterly reports. Gasco met all of these conditions in a timely manner. Therefore, I can report that Gasco has completed its probationary period and is eligible for the forgiveness of the remaining \$7,500 in fines.

¹ See TRA Rule 1220-4-7. The ACA is more fully described in Section VI.

² A copy of the Authority Order (and its attached Revised Settlement Agreement) is attached as **Attachment 3** to this report.

III. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Gasco Distribution Systems, Inc., with its office located in Jellico, Tennessee, is a subsidiary of The Titan Energy Group, Inc., which has its headquarters at 4435 East Pike, Zanesville, Ohio. The Company is a gas distributor, which provides service to the City of Jellico (Campbell County), City of Byrdstown (Pickett County) and a few customers in Fentress County, all of which are located in northeast Tennessee. It has approximately 500 customers and an annual sales volume of approximately 63,000 MCF. In addition to Tennessee, Gasco also operates in Kentucky, Ohio, Pennsylvania, and West Virginia.

GASCO, INC. (the fuel manager) provides the natural gas used to serve these areas, through long-term contracts with nonaffiliated third parties that deliver gas to the city gate.

IV. JURISDICTION AND POWER OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated (T.C.A.) §65-4-104 gave jurisdiction and control over public utilities to the Tennessee Public Service Commission. By virtue of Chapter 305 of the Public Acts of 1995, jurisdiction and control over public utilities was transferred from the Tennessee Public Service Commission to the Tennessee Regulatory Authority (the "TRA" or "Authority") on July 01, 1996. T.C.A. §65-4-104 states that:

The Authority shall have general supervision and regulation of, jurisdiction, and control over, all public utilities...

T.C.A. states further in §65-4-111 that the public utilities are to maintain a Uniform System of Accounts:

The Authority shall have the power after hearing, upon notice, by order in writing to require every public utility... to keep its books, records, and accounts so as to afford an intelligent understanding of the conduct of its business, and to that end to require every public utility of the same class to adopt a uniform system of accounting. Such system shall conform, where applicable to any system adopted or approved by the Interstate Commerce Commission of the United States. And to furnish annually, or at other times as the Authority may require, a detailed report of finances and operations as shown by said system of accounts.

The TRA responded to T.C.A. §65-4-111 by establishing its own rule 1220-4-1-1.11 regarding the uniform system of accounts which public utilities should maintain. The TRA's rule provides:

The following uniform system of accounting will be followed by utilities and other companies making periodic reports to the Authority:

1. For Classes A and B gas companies - Uniform System of Accounts as adopted by the National Association of Regulatory Utility Commissioners as revised June 30, 1972, and any amendments or revisions pertaining thereto.

The TRA received its authority to examine the books and records of public utilities from T.C.A. §65-4-105 which states that the TRA would possess all the other powers conferred on the TRA. T.C.A. §65-3-108 gives the TRA:

full power to examine the books and papers of the said companies, and to examine, under oath, the officers, agents, and employees of said companies...to procure the necessary information to intelligently and justly discharge their duties and carry out the provisions of this chapter and chapter 5 of this title.

V. PURPOSE OF COMPLIANCE AUDITS

The two basic reasons for compliance audits are to assure compliance with the Uniform System of Accounts (USOA) and to assure that the utility is following all rules, regulations and directives adopted by the TRA.

Compliance audits provide the foundation of assurance underlying the basic objective of regulatory accounting, which is to provide a uniform method of recording transactions among similar companies. This uniform record keeping is accomplished through the adoption of the USOA and insures the integrity, reliability, and comparability of the financial data contained in financial reports filed with the TRA, which provides the TRA with one of its most useful regulatory tools for establishing just and reasonable rates.

VI. DESCRIPTION OF PURCHASED GAS ADJUSTMENT (PGA) RULE

The Tennessee Regulatory Authority issued an Order in Docket No. G-86-1, which adopted a new PGA rule beginning July 1, 1992. The PGA Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect gas costs from its customers. This PGA consists of three major components:

- 1) **The Actual Cost Adjustment (ACA)**
- 2) **The Gas Charge Adjustment (GCA)**
- 3) **The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TRA in another docket) as reflected in the Deferred Gas Cost account. The ACA then "true-up" the difference between the actual gas costs and the gas costs recovered from the customer through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

Each year, the Company shall file with the [Authority] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Authority] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Authority] Staff or by order of the [Authority].

VII. AUDIT TEAM

The TRA's Energy and Water Section of the Utilities Division is responsible for conducting ACA audits. Pat Murphy of the Energy and Water Section conducted this audit of Gasco Distribution Systems, Inc.

VIII. SCOPE OF AUDIT

To accomplish the audit objective, the Staff conducted in-house audit work, during which the Company's calculations of gas costs incurred and gas costs recovered were tested. The Staff also audited a sample of customer bills to determine if the proper PGA rates and ACA rates were being applied in the Company's calculation of the customers' bills. These bills were selected to be representative of the residential, commercial and industrial customers in each of the Company's service areas. The sample was selected from all twelve months of the audit period. After recalculating each sample bill, Staff is satisfied that customers were billed appropriately.

X. SUMMARIES OF THE ACA ACCOUNTS

The Company submitted its ACA filings on August 27, 2004, covering the period July 1, 2003, to June 30, 2004. There were separate filings for the Jellico Division and the Brydstown/Fentress Division. The Jellico Division filing reflected a net balance in its ACA account at June 30, 2004, of **positive \$133,523.56**, which represents an **under-collection** of gas costs from customers. The Brydstown/Fentress Divisions filing reflected a net balance in its ACA account at June 30, 2004, of **positive \$10,554.10**, which also represents an **under-collection** of gas costs from customers. The tables below provide a summary of each ACA account.

Jellico Division

Staff is in agreement with the Company's calculation of the ending balance for the Jellico Division.³ (See Table on following page.)

³ The positive balance on line 9 of both tables indicate that the Company has under-collected these amounts from its customers as of June 30, 2004. The ACA factors derived by dividing these amounts by the projected sales volumes for the next twelve (12) months will attempt to surcharge these amounts over a twelve month period. However, there are timing differences between the close of the audit period (6/30/04) and the effective date of a new factor (February 2005). When the next audit period (12 months ended 6/30/05) is audited the factor will have been in effect for only five (5) months. There is always regulatory lag inherent in the true-up process. Larger companies are capable of calculating ACA factors and implementing them immediately, prior to audit. However, the smaller companies are encouraged to await the results of the Staff's audit before implementing an ACA factor.

<u>Line No.</u>		<u>Amount</u>
1	Cost of gas purchased (7/1/03 to 6/30/04)	\$ 362,475.90
2	Cost of gas recovered from customers through PGA rates	<u>312,000.06</u>
3	Under/(Over) Recovery of gas costs (Line 1-Line 2)	\$ 50,475.84
4		
5	ACA surcharges/(refunds) (7/1/02 – 6/30/03)	(49,770.55)
6	Interest calculated on average monthly balance in account	3,219.41
7	Beginning balance at 6/30/02	<u>30,057.73</u>
8		
9	Balance in ACA account at 6/30/03 (Line 3-Line 5+Line 6+Line 7)	<u>\$133,523.53</u>

Byrdstown/Fentress Division

Staff is in agreement with the Company's calculation of the ending balance for the Byrdstown/Fentress Division.

<u>Line No.</u>		<u>Amount</u>
1	Cost of gas purchased (7/1/03 to 6/30/04)	\$ 17,454.57
2	Cost of gas recovered from customers through PGA rates	<u>13,560.80</u>
3	Under/(Over) Recovery of gas costs (Line 1-Line 2)	\$ 3,893.77
4		
5	ACA surcharges/(refunds) (7/1/02 – 6/30/03)	(3,420.27)
6	Interest calculated on average monthly balance in account	262.37
7	Beginning balance at 6/30/02	<u>2,977.69</u>
8		
9	Balance in ACA account at 6/30/03 (Line 3-Line 5+Line 6+Line 7)	<u>\$10,554.10</u>

X. **ACA AUDIT FINDINGS**

As stated in Section II, Staff discovered no material findings during this audit.

XI. CONCLUSIONS AND RECOMMENDATIONS

Audit Conclusions:

Staff reviewed the gas costs and recoveries of Gasco Distribution Systems, Inc. for the 12-month period ended June 30, 2004. Based on the summaries provided in Section IX, the **net balance** in the refund due customers account (ACA Account) as of June 30, 2004 should be a **positive \$144,077.63**. This means that as of June 30, the Company had under-collected this amount from its customers. The net balance is composed of an **under-collection from Jellico customers of \$133,523.53** and an **under-collection from Byrdstown/Fentress customers of \$10,554.10**. In order to surcharge these balances, the correct ACA adjustment factor to be applied to customer bills in the **Jellico Division** is a **positive \$2.5506 per MCF** (see Attachment 1). The correct ACA adjustment factor to be applied to customer bills in the **Byrdstown/Fentress Division** is a **positive \$4.1716 per MCF** (see Attachment 2). Staff recommends that these factors be implemented beginning with the Company's **February 2005** billing period and should remain in effect until the Staff's next audit, at which time new factors will be calculated. The Staff's next audit of Gasco will cover the period July 2004 through June 2005.

The underlying cause of the large under-collection of gas costs from its customers during this audit period is the fact that Gasco did not file a Purchased Gas Adjustment (PGA) with the TRA during this time. The weighted average cost of gas for Gasco during the audit period was \$7.14 per MCF for Jellico and \$6.62 per MCF for Byrdstown/Fentress. The last PGA filing was in September 2002. In that filing, the PGA rate applicable to Jellico was \$5.96 and the PGA rate applicable to Byrdstown/Fentress was \$5.36. The amount of the \$144,077.63 under-collection attributable to the PGA rates in effect was \$54,369.61.⁴ The remainder is made up of a beginning balance of \$33,035.42, refunds to customers of \$53,190.82⁵ and interest of \$3,481.78.⁶

As Staff has stated in prior audits, it is important for Gasco to monitor its ACA balance on a monthly basis. As actual data is gathered at the end of each month, the ACA schedule can be updated to the latest balance. This balance, along with gas cost increases and decreases in the market, should be a factor in the Company's decision whether a PGA filing is needed.

Gasco has since filed a PGA effective in October 2004. This will have a big impact on recoveries for the current period. Staff analyzed and projected the balance each month of the current year using historical purchase and sales volumes and the weighted average cost of gas for the 12 months ended June 30, 2004, taking into account the latest PGA filing and the current ACA factors. Based on that analysis, the ending balance at June 30, 2005 will swing dramatically to the over-recovered side. Delaying the implementation of the new ACA factors for one month will mitigate this over-recovery

⁴ See Section XIX of this report

⁵ Regulatory lag contributes to mismatches in costs and recoveries.

⁶ See Section XIX of this report

situation. Also, if Gasco monitors the account balance as well as the current prices, it can timely file a PGA if necessary.

Audit Recommendations:

1. Gasco should continue to review its spreadsheet formulas and accuracy of its data to assure reasonableness and mathematical accuracy, **prior to** filing with the TRA.
2. Gasco should continue to maintain the spreadsheets on a monthly basis, to closely monitor the balance in the ACA account.
3. Gasco should delay the implementation of its new ACA factors until **February 2005**.
4. Based on Staff's statements in Section II (Probation Review), Gasco successfully completed its probationary period on July 1, 2004. According to the TRA's order in Docket 00-00998, Gasco is now eligible to have the remaining **\$7,500** of its fines forgiven. The Directors should consider making that determination at this time.

APPENDIX A

PGA FORMULA

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + \text{DACA}}{\text{SF}} - \text{DB} + \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

$$\text{Non-Firm GCA} = \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{\text{DR1} - \text{DR2}}{\text{SFR}} + \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

$$\text{Non-Firm RA} = \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

where

- RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
- DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
- DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
- CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.
- CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.
- CR3 = The residual balance of an expired Refund Adjustment.

i =	Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.
SFR =	Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.
STR =	Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

ATTACHMENT 1

Gasco Distribution Systems, Inc.

Calculation of the ACA Factor (for Jellico customers)

<u>Line No.</u>	Factor to be applied to residential, commercial and industrial customers:		
1	Cost of Gas purchased (7/1/03 - 6/30/04)	\$ 362,475 90	
2	Cost of Gas recovered from customers through PGA rates	<u>312,000 06</u>	
3	Under/(Over) Collection (Line 1 - Line 2)	\$ 50,475 84	
4	ACA surcharges/(refunds) (7/1/03 - 6/30/04)	^{**} (49,770 55)	
5	Interest calculated on average monthly balance in account	3,219 41	
6	Beginning balance at 6/30/03	<u>30,057 73</u>	
7	Balance in ACA account at 6/30/04 (Line 3 - Line 4 + Line 5 + Line 6)	<u><u>\$ 133,523.53</u></u>	Under-Collection
8	Sales Volumes **	52,349	MCF
9	ACA Factor - surcharge/(refund) (Line 7 divided by Line 8)	\$ <u><u>2 5506</u></u>	Per MCF

** Historical sales volumes for 12 months ending 6/30/04

ATTACHMENT 2

Gasco Distribution Systems, Inc.

Calculation of the ACA Factor (for Byrdstown/Fentress customers)

Line No.	Factor to be applied to residential, commercial and industrial customers:		
1	Cost of Gas purchased (7/1/03 - 6/30/04)	\$ 17,454 57	
2	Cost of Gas recovered from customers through PGA rates	<u>13,560 80</u>	
3	Under/(Over) Collection (Line 1 - Line 2)	\$ 3,893 77	
4	ACA surcharges/(refunds) (7/1/03 - 6/30/04)	(3,420 27)	
5	Interest calculated on average monthly balance in account	262 37	
6	Beginning balance at 6/30/03	<u>2,977 69</u>	
7	Balance in ACA account at 6/30/04 (Line 3 - Line 4 + Line 5 + Line 6)	<u>\$ 10,554.10</u>	Over-Collection
8	Sales Volumes **	2,530	MCF
9	ACA Factor - surcharge/(refund) (Line 7 divided by Line 8)	<u>\$ 4.1716</u>	Per MCF

** Historical sales volumes for 12 months ending 6/30/04